

Message Text

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ACTION STR-07

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 STRE-00 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01
INR-10 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01
CTME-00 AID-05 SS-15 ITC-01 TRSE-00 USIA-06 SP-02
SOE-02 OMB-01 DOE-15 /131 W
-----108284 232004Z /43

P 231906Z MAR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 7630
INFO AMEMBASSY BRUSSELS
AMEMBASSY TOKYO

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USMTN USEEC

STR FOR ACTION GREENWALD, FEKETEKUTY

E.O. 11652 N/A
TAGS: ETRD, MTN
SUBJECT: FRAMEWORK - INFORMAL PLURILATERALS ON BALANCE-
OF-PAYMENTS"UNDERSTANDING"

REF: GENEVA 3720

1. INFORMAL PLURILATERAL SESSIONS MARCH 6 AND 15 ON
FRAMEWORK GROUP BALANCE-OF-PAYMENTS TOPIC YIELDED
QUALIFIED ACCEPTANCE OF U.S. MTN DEL DRAFTED B/P
"UNDERSTANDING" AS WORKING BASIS BY MOST DCS AND, WITH
PREDICTABLE RESERVATIONS, BY SOME LDCS. U.S. (MARK)
STRESSED INFORMAL NATURE OF DRAFT AS REFLECTING CURRENT
WASHINGTON THINKING BUT NOT YET HAVING DEFINITIVE CLEAR-
ANCE. DRAFT IS NOT RPT NOT AIMED AT FORMAL AMENDMENT OF
GATT ARTICLES XII AND XVIII, NOR "LEGALIZATION" PER SE
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OF NON-QR MEASURES FOR B/P PURPOSES. RATHER, U.S. SEEKS
STRENGTHENING OF CURRENT MULTILATERAL PROCEDURES FOR
REVIEWING WHATEVER TRADE ACTIONS TAKEN FOR PAYMENTS
PURPOSES, PLUS SATISFACTORY MEANS OF DEALING WITH
"SOPHISTICATED MEASURES" IN A WAY NOT DAMAGING TO GATT.
(FYI: COPY OF DRAFT UNDERSTANDING HANDCARRIED MARCH 7
TO GREENWALD, STR, AND HAS SUBSEQUENTLY BEEN REVISED ON

NON-SUBSTANTIVE POINTS ONLY. END FYI.)

2. IN DCS-ONLY SESSION MARCH 6, RESPONSE TO U.S. FORMULATION WAS POSITIVE DESPITE LACK OF EXPLICIT INSTRUCTIONS FOR MOST DELS. NORDICS (HAGFORS) TERMED U.S. PAPER "AN EXCELLENT DRAFT" AND, TOGETHER WITH SWISS (JAGMETTI) AND EC (ADINOLFI), ACCEPTED IT AS WORKING BASIS AT LEAST FOR TIME BEING. (EC DEL SUBSEQUENTLY REVERSED ITSELF ON A KEY POINT; SEE PARAGRAPH 4 BELOW.) JAPAN (HOSHI) HEDGED INITIALLY, BUT IN DCS-PLUS-LDCS SESSION MARCH 15 ACCEPTED U.S. DRAFT AS "TARGET FOR OUR EFFORTS." CANADA (WEEKES) REMAINED NON-COMMITTAL THROUGHOUT. LDC DELS IN SECOND SESSION WEIGHED IN WITH FAMILIAR CALLS FOR EXPLICIT AND EMPHATIC RECOGNITION OF LDC "STRUCTURAL IMBALANCES" AND "VULNERABILITY" IN PAYMENTS SPHERE. HOWEVER, BRAZIL (BARTHEL-ROSA) AND MEXICO (DELGADO) ADDRESSED SPECIFIC POINTS IN DRAFT IN WORKMANLIKE AND OCCASIONALLY CONSTRUCTIVE MANNER, AT LEAST TACITLY RECOGNIZING ITS POTENTIAL FOR BRIDGING GULF BETWEEN DC AND LDC POSITIONS ON B/P TOPIC.

3. KEY SUBSTANTIVE POINTS RAISED IN TWO SESSIONS CONCERNED (A) U.S. EFFORT TO BUILD IN "PREFERENCE" FOR SURCHARGES/DEPOSITS AS OPPOSED TO QRS--A TOUCHY POINT WITH MOST DCS, ESPECIALLY EC, NORDICS, AND JAPAN; (B) NATURE OF DC "PLEDGE" TO AVOID B/P TRADE MEASURES--LIMITED OFFICIAL USE

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WITH EC AND NORDICS BELIEVING OUR FORMULATION TOO RESTRICTIVE, AND JAPANESE AT OTHER EXTREME SEEKING SOMETHING EVEN STRONGER; (C) NEED TO BUILD IN DISCIPLINES ON "UNAVOIDABLE" DC B/P MEASURES WITHOUT WEAKENING ABSTENTION PLEDGE; AND (D) LDC PROCEDURAL PROPOSALS (VIZ., MTN/INF/16) -- SOME OF WHICH WE MIGHT INCLUDE IN REVISED DRAFT (E.G., CRITERIA FOR DECIDING FULL-VS.-SIMPLIFIED CONSULTATION, BUT REVERSING LDC PRESUMPTION THAT FULL CONSULTATION IS "THE EXCEPTION"). OTHER LDC POINTS ALREADY ALLUDED TO IN EXISTING GATT BOP COMMITTEE MANDATE (L/3388)--I.E., FOCUS ON "ALLEVIATING AND CORRECTING" BOP/TRADE/DEVELOPMENT PROBLEMS OF A CONSULTING LDC.

4. PARTICIPANTS AGREED TO RESUME DC-LDC DISCUSSION OF REVISED USMTN DEL DRAFT "IN NEAR FUTURE" (I.E., EARLY APRIL), IT BEING UNDERSTOOD THAT WE WILL BE CONSULTING IN MEANTIME WITH OTHER DCS AND SOME LDCS ON KEY POINTS. COMMENT: EC DEL HAS INFORMED US PRIVATELY THAT LUYTEN ENCOUNTERED UNEXPECTED RESISTANCE FROM MEMBER STATES AT SENIOR BUREAUCRATIC LEVEL (113 TITULAIRES) RE "BEST-EFFORTS PLEDGE" AMONG DCS TO AVOID B/P TRADE MEASURES. THIS LATEST SETBACK, WHICH SURPRISED LUYTEN HIMSELF,

APPARENTLY BASED MORE ON REFLEX THAN REFLECTION (NOTE LUYTEN'S EARLIER, UPBEAT ASSESSMENT REPORTED REFTTEL THAT CURRENT FORMULATION PROBABLY ACCEPTABLE TO EC AS WORKING BASIS). WHILE IT COMPLICATES OUR EFFORTS TO PIN DOWN A VIABLE FRAMEWORK "PACKAGE" BY TIME OF STRAUSS-HAFERKAMP-USHIBA SUMMIT APRIL 10, WE BELIEVE HIGHER-LEVEL RESOLUTION OF THIS PARTICULAR POINT (POSSIBLY INCLUDING REPRESENTATIONS IN SOME EC CAPITALS ON FRAMEWORK AS PART OF MTN PACKAGE) SHOULD BE FEASIBLE IN SOMEWHAT LONGER TIME FRAME. END COMMENT.

5. DRAFTED BY MARK CULBERT

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, BALANCE OF PAYMENTS, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978GENEVA04507
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780128-1083
Format: TEL
From: GENEVA USMTN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780333/aaaabbto.tel
Line Count: 127
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 2a3a1fbf-c288-dd11-92da-001cc4696bcc
Office: ACTION STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 GENEVA 3720
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3228829
Secure: OPEN
Status: NATIVE
Subject: FRAMEWORK - INFORMAL PLURILATERALS ON BALANCE- OF-PAYMENTS\("UNDERSTANDING")
TAGS: ETRD, MTN
To: STATE USEEC
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/2a3a1fbf-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014